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December 14, 2007

AGENDA ITEM 3

TO: MEMBERS OF THE PERFORMANCE AND COMPENSATION COMMITTEE

I. SUBJECT: First Quarter Status Reports on Performance Plans of the Chief Executive Officer, Chief Actuary, Chief Investment Officer and His Direct Reporting Staff

II. PROGRAM: Administration

III. RECOMMENDATIONS: Recommend the Board Accept First Quarter Status Reports on the Performance Plans of the Chief Executive Officer, Chief Actuary, Chief Investment Officer and His Direct Reporting Staff

Recommend the Board Approve Changes in the Performance Plans of the Chief Operating Investment Officer and Senior Investment Officers

IV. ANALYSIS:

The Compensation Policies and Procedures provide that, following the end of each quarter in the fiscal year, executives will prepare short status reports on their respective performance plans for the Performance and Compensation Committee. Attached are the quarterly status reports for the first quarter of the 2007-2008 Fiscal Year for the Chief Executive Officer, Chief Actuary, Chief Investment Officer, Chief Operating Investment Officer and the Senior Investment Officers.

Quarterly status reports provide a means for informing the Committee of progress toward achieving the quantitative and qualitative measures in the performance plans. If needed, performance measures may be added, amended or deleted as part of the quarterly review process.

The following changes are presented for approval:

- **All Senior Investment Officers:** Based upon the Committee's direction at the September 2007 meeting, one change has been made to each of the

Senior Investment Officers' plans to add diversity and succession planning to the Leadership measure.

- **Chief Operating Investment Officer:** One change has been made to the Unitization and Supplemental Income Plan Lineup measure to include language related to the second phase of enhanced product line-up. Completion of the second phase is contingent upon feasibility and implementation of the unitization framework, and the language of the measure has been adjusted to reflect this contingency.
- **Senior Investment Officer, Global Equities:** Changes have been made in the Corporate Governance Internal and External factors to correct typographical errors in the benchmark identifiers.

In accordance with the program policies and procedures, proposed changes in the quantitative measures of the Senior Investment Officers have been reviewed for clarity by the investment consultant. The incumbents have been made aware of the changes.

V. STRATEGIC PLAN:

Under Goal V of the Strategic Plan, CalPERS is committed to sustaining a high performance work culture. This can be accomplished at the highest executive levels through the establishment of methods that provide broad flexibility in the recruitment, retention and compensation of key personnel.

VI. RESULTS/COSTS:

The establishment of performance plan measures is critical to the management of a competitive compensation program for executives at the highest levels of the organization. This, in turn, is critical to the success of the organization. The cost of performance awards that might arise from the recommendations in this item will be funded from existing resources.

Chris O'Brien, Chief
Human Resources Division

Gloria Moore Andrews
Deputy Executive Officer - Operations

Attachments

**Quarterly Incentive Plan Status Reports
First Quarter 2007-2008 Fiscal Year**

The FY 2007-08 first quarter status reports are presented in the following order:

<u>Position</u>	<u>Current Incumbent</u>
Chief Executive Officer	Fred Buenrostro
Chief Actuary	Ron Seeling
Chief Investment Officer	Russell Read
Chief Operating Investment Officer	Anne Stausboll
Senior Investment Officer, Alternative Investments	Leon Shahinian
Senior Investment Officer, Asset Allocation	Recently appointed*
Senior Investment Officer, Fixed Income	Curtis Ishii
Senior Investment Officer, Global Equities	Christy Wood
Senior Investment Officer, Real Estate	Ted Eliopoulos

- * The plan of the recently-appointed Senior Investment Officer, Asset Allocation, Farouki Majeed, will be presented in a separate agenda item for first reading.